

CONDOMINIUM PUBLIC REPORT

Prepared & Issued by:

Developer KEA567 LLC, a Hawaii limited liability company
Address 99-1405 Koaha Place, Aiea, Hawaii 96701

Project Name(*): KEAAHALA
Address: 45-567, 45-567A, 45-571, 45-571A, 45-575 & 45-575A Keaahala Road, Kaneohe, HI 96744

Registration No. 6154
(Conversion)

Effective date: December 19, 2006
Expiration date: January 19, 2008

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports: Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

PRELIMINARY: (yellow) The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.

X FINAL: (white) The developer has legally created a condominium and has filed complete information with the Commission.
[X] No prior reports have been issued.
[] This report supersedes all prior public reports.
[] This report must be read together with

SUPPLEMENTARY: (pink) This report updates information contained in the:
[] Preliminary Public Report dated:
[] Final Public Report dated:
[] Supplementary Public Report dated:

And [] Supersedes all prior public reports.
[] Must be read together with
[] This report reactivates the public report(s) which expired on

(*) Exactly as named in the Declaration

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

Required and attached to this report Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

No prior reports have been issued by the developer.

Changes made are as follows:

SPECIAL ATTENTION

This is a CONDOMINIUM PROJECT and not a subdivision. The land area beneath and immediately appurtenant to each apartment unit is designated a LIMITED COMMON ELEMENT and is not a legally subdivided lot. The broken lines on the Condominium Map bounding the designated number of square feet within each limited common element land area are for illustrative purposes only, and should in no way be construed to be the property lines of legally subdivided lots.

This public report does not constitute approval of the Project by the Real Estate Commission, or any other governmental agency, nor does it ensure that all applicable County codes, ordinances, and subdivision requirements have necessarily been complied with.

THE PROSPECTIVE PURCHASER IS CAUTIONED TO CAREFULLY REVIEW THE CONDOMINIUM DOCUMENTS REFERENCED IN THIS PUBLIC REPORT FOR FURTHER INFORMATION WITH REGARD TO THE FOREGOING.

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General Information On Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without the vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer: KEA567 LLC Phone: (808) 630-1064
Name* (Business)
99-1405 Koaha Place
Business Address
Aiea, Hawaii 96701

Names of officers and directors of developers who are corporations; general partners of a partnership; partners of a Limited Liability Partnership (LLP); or manager and members of a Limited Liability Company (LLC) (attach separate sheet if necessary):

Rory D. Otto, sole member and manager of KEA567 LLC

Real Estate Broker*: Prudential Locations LLC Phone: (808) 735-4200
Name (Business)
3465 Waiialae Avenue, 4th Floor
Business Address
Honolulu, Hawaii 96816

Escrow: Island Title Corporation Phone: (808) 531-0261
Name (Business)
1132 Bishop Street, Suite 400
Business Address
Honolulu, Hawaii 96813

General Contractor*: N/A Phone: (Business)
Name
Business Address

Condominium Managing Agent*: Self-managed by the Association of Apartment Owners Phone: (Business)
Name
Business Address

Attorney for Developer: Anders G. O. Nervell, Esq. Phone: (808) 535-8400
Name Clay Chapman Crompton Iwamura & Pulice (Business)
700 Bishop Street, Suite 2100
Business Address
Honolulu, Hawaii 96813

* For Entities: Name of corporation, partnership, Limited Liability Partnership (LLP), or Limited Liability Company (LLC)

**II. CREATION OF THE CONDOMINIUM;
CONDOMINIUM DOCUMENTS**

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

A. **Declaration of Condominium Property Regime** contains a description of the land, buildings, apartments, common elements, limited common elements, common interests, and other information relating to the condominium project.

The Declaration for this condominium is:

Proposed
 Recorded - Bureau of Conveyances: Document No. 93-133601
Book _____ Page _____
 Filed - Land Court: Document No. _____

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]: Amendment of Declaration of Condominium Property Regime and Condominium Map dated October 19, 2006, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2006-195939; and Amended and Restated Declaration of Condominium Property Regime dated October 19, 2006, recorded in said Bureau of Conveyances as Document No. 2006-195940.

B. **Condominium Map (File Plan)** shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

Proposed
 Recorded - Bureau of Conveyances Condo Map No. 1910
 Filed - Land Court Condo Map No. _____

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]: Amendment of Declaration of Condominium Property Regime and Condominium Map dated October 19, 2006, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2006-195939.

C. **Bylaws of the Association of Apartment Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

Proposed
 Recorded - Bureau of Conveyances: Document No. 93-133602
Book _____ Page _____
 Filed - Land Court: Document No. _____

The Bylaws referred to above have been amended by the following instruments [state name of document, date and recording/filing information]: Amended and Restated By-Laws of the Association of Apartment Owners dated October 19, 2006, recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 2006-195941.

D. **House Rules.** The Board of Directors may adopt House Rules to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial House Rules are usually adopted by the developer.

The House Rules for this condominium are:

Proposed Adopted Developer does not plan to adopt House Rules

E. **Changes to Condominium Documents** Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. **Apartment Owners:** Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	---	<u>Board of Directors</u>

* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. **Developer:**

- No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.
- Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:
1. To amend the Declaration by filing an "as built" certificate (see paragraph 20.1 of the Declaration).
 2. To amend the Declaration to comply with the requirements imposed by law, title insurers, lenders, etc. (see paragraph 20.2 of the Declaration).
 3. To amend the By-Laws to comply with the requirements of any federal or State governmental agency (see Section 10.2(a) of the By-Laws).
 4. In the event that additional units are constructed on Lot 99, to amend the Declaration and Condominium Map to reflect such additional units (see paragraph 27 of the Declaration).

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- Leasehold or Sub-leasehold: Individual apartments and the common elements, which include the underlying land will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: _____ Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per: Month Year

For Sub-leaseholds:

- Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is: Canceled Foreclosed
- As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

- Individual Apartments in Fee Simple; Common Interest in the Underlying Land in Leasehold or Sub-leasehold:

Leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: _____ Rent Renegotiation Date(s): _____

Lease Rent Payable: Monthly Quarterly
 Semi-Annually Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per: Month Year

[] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

B. Underlying Land:

Address: 45-567, 45-567A, 45-571, 45-571A, 45-575 Tax Map Key (TMK): (1) 4-5-21-8 & 9
& 45-575A Keaahala Road
Kaneohe, Hawaii 96744

[] Address [X] TMK is expected to change because see below*

Land Area: 40,000** [X] square feet [] acre(s) Zoning: R-5

*Note: The City and County of Honolulu has assigned the following Tax Map Keys to the Units:

- Unit A: (1) 4-5-21-8 CPR No. 1
- Unit B: (1) 4-5-21-8 CPR No. 2
- Unit C: (1) 4-5-21-8 CPR No. 3
- Unit D: (1) 4-5-21-8 CPR No. 4
- Unit E: (1) 4-5-21-8 CPR No. 5
- Unit F: (1) 4-5-21-8 CPR No. 6

**Note: TMK 4-5-21-8 is 20,000 square feet, and TMK 4-5-21-9 is 20,000 square feet.

Fee Owner: KEA567 LLC
 Name
99-1405 Koaha Place
 Address
Aiea, Hawaii 96701

Lessor: N/A
 Name
 Address

C. **Buildings and Other Improvements:**

1. New Building(s)
 Conversion of Existing Building(s)
 Both New Building(s) and Conversion

2. Number of Buildings: 6 Floors Per Building: 1 – Units B, C, D, E & F
2 – Unit A
 Exhibit _____ contains further explanations.

3. Principal Construction Material:

- Concrete Hollow Tile Wood
 Other allied building material

4. Uses Permitted by Zoning

	<u>No. of Apts.</u>	<u>Use Permitted By Zoning</u>	
<input checked="" type="checkbox"/> Residential	<u>6</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Commercial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Mix Res/Comm	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Hotel	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Timeshare	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Ohana	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Industrial	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Agricultural	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Recreational	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<input type="checkbox"/> Other	_____	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?
 Yes No

5. Special Use Restrictions:

The Declaration and Bylaws may contain restrictions on the use and occupancy of the apartments. Restrictions for this condominium project include but are not limited to:

- Pets: See Article X, Section 10.7 of By-Laws (Dogs, cats and other household pets in reasonable numbers are permitted)
- Number of Occupants: _____
- Other: _____
- There are no special use restrictions.

6. Interior (fill in appropriate numbers):

Elevators: none Stairways: none Trash Chutes: none

Apt. Type	Quantity	BR/Bath	Net Living Area (sf)*	Net Other Area (sf)	(Identify)
<u>SEE EXHIBIT "A"</u>	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Apartments: 6

***Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.**

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment: SEE EXHIBIT "B".

Permitted Alterations to Apartments:

Subject to restrictions in the Declaration and the By-Laws, an apartment owner may make additions to or alterations of his or her apartment or limited common elements appurtenant to such apartment. Furthermore, handicapped occupants may make reasonable modifications to their apartments, the limited common elements appurtenant thereto, and/or the common elements, at their own expense. All alterations are subject to each and every condition set forth in that certain Existing Use Permit 2006/EU-1. SEE EXHIBIT "I".

Apartments Designated for Owner-Occupants Only:

Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has elected to provide the information in a published announcement or advertisement.

Keaahala

Presale Notice to Owner-Occupants

Unit Number	Beds / Baths	Net Living Area	Park Stalls	Exclusive Use Area	Maint. Fee	Sales Price
A	5b/3b	1,330 sf	2	5,600 sf	\$30/m	\$549,000
B*	3b/1b	748 sf	2	3,763 sf	\$30/m	\$539,000
C*	3b/1b	748 sf	2	3,912 sf	\$30/m	\$519,000
D	3b/1b	680 sf	2	5,271 sf	\$30/m	\$529,000
E*	3b/1b	680 sf	2	5,228 sf	\$30/m	\$549,000
F	5b/2b	1,330 sf	2	10,245 sf	\$30/m	\$659,000

This notice is published pursuant to Section 514A-102 of the Hawaii Revised Statutes to inform prospective owner-occupant purchasers that KEA567 LLC (the "Developer") intends to offer for sale six residential apartments in a fee simple condominium project known as "Keaahala", which is located at 45-567, 45-567A, 45-571, 45-571A, 45-575 & 45-575A Keaahala Road, Kaneohe, HI 96744, TMK No. (1) 4-5-21-8 & 9. The project consists of six apartment units, all of which are intended for residential use, and which are identified by the unit number above and have at least two parking stalls. Three of the six apartments (identified by an asterisk ("*")) will be offered to owner-occupants. 1) The net living area described above for each residential apartment unit is approximate and is measured from the interior surface of the apartment perimeter walls, and does not include any lanai area, patio area, and/or carport area. 2) None of the three units are "accessible and adaptable" as those terms are defined and interpreted in 24 C.F.R. section 100 et.seq. for persons with disabilities. 3) Each residential apartment's estimated monthly maintenance fee is set forth above. The prices and monthly maintenance fees above represent the Developer's best estimates as of the date of this notice and are subject to change by the Developer prior to entering into binding sales contracts. 4) The apartments identified with an asterisk ("*") shall be initially offered by the Developer for a 30-day period after first published announcement of this owner-occupant pre-sale notice, to any prospective owner-occupants on the final reservation list who will use the apartments as their principal residences for a period of not less than 365 consecutive days; provided however, that each residential apartment shall first be offered for sale to any individual occupying the apartment immediately prior to the conversion and who submits to Prudential Locations LLC a completed and notarized owner-occupant affidavit, a signed sales contract, a loan pre-qualification letter, and a reservation deposit in the amount of \$1,000.00. 5) Names selected for the final reservation list will be determined on a chronological basis. For a 30-day period after the date of the first published announcement of this owner-occupant pre-sale notice, the Developer's broker, Prudential Locations LLC, 3465 Waialae Avenue, 4th Floor, Honolulu, Hawaii 96816, will compile a reservation list in chronological order of prospective owner-occupants who have submitted a completed and notarized owner-occupant affidavit, a signed sales contract, a loan pre-qualification letter, and a refundable reservation deposit in the amount of \$1,000.00. 6) Any interested individual who wishes to obtain a Final Public Report, an owner-occupant affidavit, a sales contract, and who wishes to be placed on a reservation list, or to obtain further information on the project should contact the following broker between 9:00 am and 4:00 pm Mondays thru Fridays: Prudential Locations LLC, 3465 Waialae Avenue, 4th Floor, Honolulu, Hawaii 96816. Bus: (808) 735-4200.

7. Parking Stalls:

Total Parking Stalls: 12

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	_____	<u>2</u>	_____	_____	_____	_____	<u>12</u>
Guest	_____	_____	_____	_____	_____	_____	_____
Unassigned	_____	_____	_____	_____	_____	_____	_____
Extra for Purchase	_____	_____	_____	_____	_____	_____	_____
Other: _____	_____	_____	_____	_____	_____	_____	_____
Total Covered & Open:	<u>12</u>		<u>0</u>		<u>0</u>		<u>12</u>

Each apartment will have the exclusive use of at least 2 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

- Commercial parking garage permitted in condominium project.
- Exhibit: "A" contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

- There are no recreational or common facilities.
- Swimming pool Storage Area Recreation Area
- Laundry Area Tennis Court Trash Chute/Enclosure(s)
- Other: Common element driveway

9. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations:

- There are no violations Violations will not be cured.
- Violations and cost to cure are listed below. Violations will be cured by _____
(Date)

SEE EXHIBITS "C" & "D"

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations (For conversions of residential apartments in existence for at least five years):

SEE EXHIBIT "E"

11. Conformance to Present Zoning Code

- a. No variances to zoning code have been granted. SEE EXHIBITS "C" & "D"
 Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but which does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u> X </u>	<u> </u>	<u> </u>
Structures	<u> </u>	<u> X* </u>	<u> </u>
Lot	<u> </u>	<u> X* </u>	<u> </u>

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

*Note: Owner/Developer has applied for and received an existing use permit (Existing Use Permit 2006/EU-1) which allows the apartments to be rebuilt in the event of destruction; provided, however, that all work shall be made in accordance with, and shall conform with, the terms and conditions set forth in the existing use permit. A copy of Existing Use Permit 2006/EU-1 is attached hereto as Exhibit "I" and made a part hereof.

D. Common Elements, Limited Common Elements, Common Interest:

1. Common Elements: Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

- described in Exhibit "F" .
 as follows:

2. Limited Common Elements: Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

There are no limited common elements in this project.

The limited common elements and the apartments which use them, as described in the Declaration, are:

described in Exhibit "G"*

as follows:

*Note: Land areas referenced herein are not legally subdivided lots.

3. Common Interest: Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interests for the apartments in this project, as described in the Declaration, are:

described in Exhibit _____.

as follows: The percentage of common interest appurtenant to each apartment in the Project is $1/6^{\text{th}}$.

E. Encumbrances Against Title: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit "H" describes the encumbrances against the title contained in the title report dated September 6, 2006 and issued by Island Title Corporation.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

- [] There are no blanket liens affecting title to the individual apartments.
- [X] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgage	Buyer's interest is subordinate to mortgagee's and is subject to termination. Buyer is entitled to return of any deposits paid, less escrow cancellation fees.

F. **Construction Warranties:**

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements: None. Units to be conveyed "as is". Developer is not making any warranties on the materials and workmanship of the Units.
2. Appliances: None. Appliances sold "as is".

G. **Status of Construction and Date of Completion or Estimated Date of Completion:**

Unit A was constructed in 1943, relocated in 1952, and renovated in 1994;
Unit B was constructed in 1961;
Unit C was constructed in 1961;
Unit D was constructed in 1965;
Unit E was constructed in 1965; and
Unit F was constructed in 1943, relocated in 1952, and renovated in 1993, 1994 and 2005.

The Units are subject to an existing use permit that will allow reconstruction of the units provided there is compliance with certain terms and conditions. SEE EXHIBIT "I".

H. **Project Phases:**

The developer [X] has [] has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right to perform for future development (such as additions, mergers or phasing):

Pursuant to paragraph 27 of the Declaration, Developer and subsequent Owners of Unit A and Unit F (which are not covered by Existing Use Permit 2006/EU-1 and which are situated on Lot 99 as more particularly described in Exhibit "A" attached to the Declaration), shall have the right, but not the obligation, to construct additional Units on that portion of the Land with constitute Lot 99 provided: (i) a Cluster Housing Permit is first obtained, and (ii) the Owners of said Unit A and Unit F comply with all applicable City and County building, zoning laws and ordinances and applicable State law, and with the terms and provisions of Paragraph 19.1 of the Declaration.

Owners of said Unit A and Unit F shall have the right without the consent or joinder of any other person to amend the Declaration and the Condominium Map to reflect the construction of such additional Units, and to change the percentage of common interest appurtenant to each Unit as long as all the Units in the Project have the same percentage of common interest as currently provided for in paragraph 6 of the Declaration. For example, if two additional Units are constructed (one within the Dwelling Area appurtenant to Unit A, and a second within the Dwelling Area appurtenant to Unit F), then the percentage of common interest appurtenant to each Unit shall change from 1/6th to 1/8th (or 12.5%). Promptly upon completion of such additional Units, the Owners of said Unit A and Unit F shall duly record with the Bureau of Conveyances of the State of Hawaii an amendment to the Declaration and to the Condominium Map, together with a complete set of the floor plans of the Project as so altered, certified as built by a registered architect or professional engineer. All existing Unit Owners and all future Unit Owners and their mortgagees, by accepting an interest in a Unit, shall be deemed to have given the Owners of said Unit A and Unit F a Power of Attorney to execute an amendment to the Declaration solely for the purpose of describing the construction of additional Units in accordance with paragraph 27 of the Declaration. This Power of Attorney shall be deemed coupled with each Owner's interest in his Unit (including its appurtenant common interest) and shall be irrevocable.

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate Commission include but are not limited to:

- Notice to Owner Occupants
- Specimen Sales Contract
Exhibit "K" contains a summary of the pertinent provisions of the sales contract.
- Escrow Agreement dated September 26, 2006
Exhibit "L" contains a summary of the pertinent provisions of the escrow agreement.
- Other _____

B. Buyer's Right to Cancel Sales Contract:

1. Rights Under the Condominium Property Act (Chapter 514A, HRS):

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the developer may be binding on the developer unless the developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sales contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report or Supplementary Report to a Final Report: Sales made by the developer are binding if:

- A) The Developer delivers to the buyer a copy of:
 - 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
 - 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
- B) The buyer is given an opportunity to read the report(s); **AND**
- C) One of the following has occurred:
 - 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if.

- A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**
- B) The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:
- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
 - B) Declaration of Condominium Property Regime, as amended.
 - C) Bylaws of the Association of Apartment Owners, as amended.
 - D) House Rules, if any.
 - E) Condominium Map, as amended.
 - F) Escrow Agreement.
 - G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules, (Chapter 16-107, adopted by the Real Estate Commission, as amended).
 - H) Other _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's agent, if any. The Condominium Property Regime law (Chapter 514A, HRS) and the Administrative Rules (Chapter 107) are available online. Please refer to the following sites:

Website to access official copy of laws: www.capitol.hawaii.gov
 Website to access unofficial copy of laws: www.hawaii.gov/dcca/hrs
 Website to access rules: www.hawaii.gov/dcca/har

This Public Report is a part of Registration No. 6154 filed with the Real Estate Commission on October 27, 2006.

Reproduction of Report. When reproduced, this report must be on:

YELLOW paper stock WHITE paper stock PINK paper stock

C. **Additional Information Not Covered Above**

Not a Subdivision. This is a condominium project which should not be confused with a subdivision. A purchaser of an apartment will be conveyed an apartment unit together with an "undivided" interest in the common elements of the project. The entire parcel of land upon which the project is situated is designated as a common element. That portion of the common element which each purchaser has the exclusive right to use is called a limited common element or area, but is not a separate, legally subdivided lot.

Disclosure Regarding "AS-IS" Sale. The six apartments will be conveyed in their present "as is" condition. Potential buyers are strongly urged to have a professional home inspection to ascertain the exact condition of the property.

Hazardous Materials. The Developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The Developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Buyer acknowledges that in light of the age of the Project, there may be asbestos and other hazardous substances in the apartments, or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment inspected to determine the extent (if any) of such contamination and any necessary remedial action. The Developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the Developer from any liability to Buyer if any hazardous materials are discovered.

Lead Warning Statement. Pursuant to federal law, 42, U.S.C 4852(d), the Residential Lead-Based Paint Reduction Act, "Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase."

Insurance. Section 514A-86, Hawaii Revised Statutes, requires the Association of Apartment Owners to purchase fire insurance to cover the improvements of the Project, and that the premiums for the such insurance be common expenses. Developer anticipates that the Association will elect, pursuant to Paragraph 16.5 of the Declaration, to permit individual apartment owners to obtain and maintain separate policies of fire insurance and name the Association as an additional insured. In such case, fire insurance premiums will be the responsibility of individual apartment owners and not common expenses. Prospective purchasers should consult with their own insurance professionals to obtain an estimate for individual fire and hazard insurance.

A separate liability insurance policy will be maintained for the common element driveway, and premiums for such insurance will be a common expense. See Exhibit "J".

Driveways and Parking Stalls. All driveways (including the access easement) and the twelve (12) parking stalls have been covered with an all-weather surface as required under item 10 of Existing Use Permit 2006/EU-1. See Exhibit "I".

Construction of Additional Units. Paragraph 27 of the Declaration provides that the Owners of Unit A and Unit F (which are not covered by Existing Use Permit 2006/EU-1 and which are situated on Lot 99 as more particularly described in Exhibit "A" attached to the Declaration), shall have the right, but not the obligation, to construct additional Units on that portion of the Land with constitute Lot 99 provided the terms and conditions outlined in the Declaration are met. Notwithstanding the foregoing, Developer is not making any representations and warranties that the construction of such additional Units will be permitted under applicable City and County building, zoning laws and ordinances and applicable State law.

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

KEA567 LLC

Print Name of Developer

By: 
 Rory D. Otto, its Manager

October 19, 2006
 Date

Distribution:

Department of Finance, City and County of Honolulu
 Planning Department, City and County of Honolulu

**** Must be signed for a: corporation by an officer; partnership or Limited Liability Partnership (LLP) by the general partner; Limited Liability Company (LLC) by the manager or member; and for an individual by the individual.***

EXHIBIT "A"

Description of Apartments

There are six (6) condominium apartments in the Project. Each of the six (6) buildings contains one (1) condominium apartment. The apartments are referred to as "Units" on the Condominium Map, and are more particularly described below:

1. Unit A. Unit A is a two-story dwelling, without a basement. The ground floor level contains two (2) storage rooms and one (1) bathroom. The first floor level contains five (5) bedrooms, two (2) bathrooms, kitchen, living room and den. The net living area is approximately 1,330 square feet. Unit A also has 280 square feet balcony.

Unit A has two (2) open parking stalls located on the Dwelling Area appurtenant to Unit A as shown on the Condominium Map.

2. Unit B. Unit B is a one-story dwelling, without a basement, containing three (3) bedrooms, one (1) bathroom, kitchen, and living room. The net living area is approximately 748 square feet.

Unit B has two (2) open parking stalls located on the Dwelling Area appurtenant to Unit B as shown on the Condominium Map.

3. Unit C. Unit C is a one-story dwelling, without a basement, containing three (3) bedrooms, one (1) bathroom, kitchen, and living room. The net living area is approximately 748 square feet.

Unit C has two (2) open parking stalls located on the Dwelling Area appurtenant to Unit C as shown on the Condominium Map.

4. Unit D. Unit D is a one-story dwelling, without a basement, containing three (3) bedrooms, one (1) bathroom, kitchen, and living room. The net living area is approximately 680 square feet.

Unit D has two (2) open parking stalls located on the Dwelling Area appurtenant to Unit D as shown on the Condominium Map.

5. Unit E. Unit E is a one-story dwelling, without a basement, containing three (3) bedrooms, one (1) bathroom, kitchen, and living room. The net living area is approximately 680 square feet.

Unit E has two (2) open parking stalls located on the Dwelling Area appurtenant to Unit E as shown on the Condominium Map.

6. Unit F. Unit F is a one-story dwelling, without a basement, containing five (5) bedrooms, two (2) bathrooms, kitchen, bar area, living room, and dining room. The net living area is approximately 1,330 square feet. Unit F also has 280 square feet balcony.

Unit F has two (2) open parking stalls located on the Dwelling Area appurtenant to Unit F as shown on the Condominium Map.

END OF EXHIBIT "A"

EXHIBIT "B"

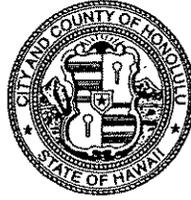
Boundaries of Each Apartment

Each Unit consists of (a) all footings, floors, foundations, perimeter walls and roofs of the Building and all other improvements from time to time located upon the Dwelling Area appurtenant to the Units; (b) all of the space, fixtures, walls and other improvements located within such footings, floors, foundations, perimeter walls and roofs; (c) all exterior surfaces and finishes of such footings, floors, foundations, perimeter walls and roofs; (d) all decks, lanais, porches, steps, stairs or other improvements physically attached to any Building and for the exclusive use of the Owners and occupants of any Building; and (e) all portions of any carport or garage physically attached to, or contained in, any Building or located on the Dwelling Area appurtenant to the Unit and for the exclusive use of the owner and occupants of the Unit. The foregoing, as initially established or as hereafter changed pursuant to Paragraph 19.1 of the Declaration, is referred to herein as a Unit. A Unit shall not be deemed to include any pipes, wires, ducts, conduits, or other utility or service lines running through a Unit (or the Dwelling Area appurtenant to such Unit) which are utilized by or serve any other Unit.

END OF EXHIBIT "B"

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 523-4432 • FAX: (808) 527-6743
DEPT. INTERNET: www.honolulu.gov • INTERNET: www.honoluludpp.org



MUFI HANNEMANN
MAYOR

HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUE
DEPUTY DIRECTOR

2006/ELOG-797(LT)

August 23, 2006

Anders G.O. Nervell, Esq.
Clay Chapman Crumpton Iwamura & Pulice
Topa Financial Center, Bishop Street Tower
700 Bishop Street, Suite 2100
Honolulu, Hawaii 96813

Dear Mr. Nervell:

Re: Condominium Conversion Project
45-567 & 45-567A Keaahala Road
Tax Map Key: 4-5-021: 008

This is in response to your letter dated April 11, 2006, requesting verification that the structures on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the two-story single-family detached dwelling and the one-story single-family detached dwelling with four (4) unpaved off-street parking spaces met all applicable code requirements when they were constructed in 1943 and relocated in 1952 with Building Permit No. 101491, respectively, on this 20,000 square-foot R-5 Residential District zoned lot.

Investigation also revealed the following:

1. On April 7, 2006, a subdivision (File No. 2005/SUB-309) was approved for the revised designation of Easement A (for access, utility and fire truck turn-around purposes in favor of Lot 100) affecting Lot 99 being a portion of land deeded to H.H. Parker by the Superintendent of Public Works.
2. The four (4) unpaved off-street parking spaces are considered nonconforming because they lack the required all-weather surface.
3. An affidavit was required with the issuance of Building Permit No. 343202 on October 18, 1993, for a one-story addition to an existing dwelling. It states that "the entire structure shall be maintained as a single-family dwelling containing only one kitchen. An interior connection shall be provided as shown on the approved plans."

EXHIBIT " C "

Anders G.O. Nervell, Esq.
Clay Chapman Crompton Iwamura & Pulice
August 23, 2006
Page 2

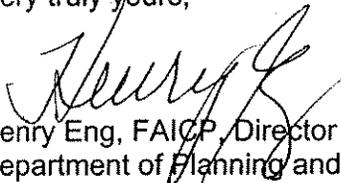
For your information, the Department of Planning and Permitting cannot determine all other legal nonconforming uses or structures, as a result of the adoption of any ordinance or code.

No variances or other permits were granted to allow deviations from any applicable codes.

Conversion to a condominium property regime (CPR) is not recognized by the City and County as an approved subdivision. CPR delineates ownership; it does not create separate lots of record for subdivision and zoning purposes.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-Family Code Enforcement Branch at 527-6341.

Very truly yours,



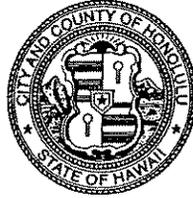
Henry Eng, FAICP, Director
Department of Planning and Permitting

HE:ft

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DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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MUFI HANNEMANN
MAYOR

HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUE
DEPUTY DIRECTOR

2006/ELOG-797(LT)

August 23, 2006

Anders G.O. Nervell, Esq.
Clay Chapman Crumpton Iwamura & Pulice
Attorneys at Law
Topa Financial Center, Bishop Street Tower
700 Bishop Street, Suite 2100
Honolulu, Hawaii 96813

Dear Mr. Nervell:

Re: Condominium Conversion Project
45-571, 45-571A, 45-575 & 45-575A Keaahala Road
Tax Map Key (TMK): 4-5-021: 009

This is in response to your letter dated April 11, 2006, requesting verification that the structures on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the four (4) one-story single-family detached dwellings with eight (8) unpaved off-street parking spaces met all applicable code requirements when they were constructed in 1961 and 1965 on this 20,000 square-foot R-5 Residential District zoned lot.

Investigation also revealed the following:

1. On March 15, 2006, an existing use permit (File No. 2006/EU-1) was approved with conditions for the existing use of four (4) existing single-family dwellings.
2. The eight (8) unpaved off-street parking spaces are considered nonconforming because they lack the required all-weather surface. According to conditions of 2006/EU-1, an all-weather surface shall be provided at all driveways, including access easements on Parcel 8 (TMK: 4-5-021: 008), and required parking areas prior to the issuance of building permit or any change of ownership, whichever comes first, subsequent to this approval.
3. On July 7, 2006, Document No. 2006-125195 was recorded with the State of Hawaii, Bureau of Conveyances, for roadway and utility easement purposes. This roadway easement is through TMK: 4-5-021: 008 to Keaahala Road.

EXHIBIT " D "

Anders G.O. Nervell, Esq.
Clay Chapman Crumpton Iwamura & Pulice
August 23, 2006
Page 2

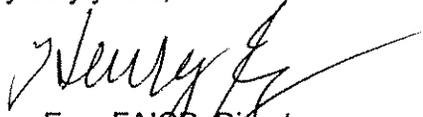
For your information, the Department of Planning and Permitting cannot determine all other legal nonconforming uses or structures, as a result of the adoption of any ordinance or code.

No variances or other permits were granted to allow deviations from any applicable codes.

Conversion to a condominium property regime (CPR) is not recognized by the City and County as an approved subdivision. CPR delineates ownership; it does not create separate lots of record for subdivision and zoning purposes.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-Family Code Enforcement Branch at 527-6341.

Very truly yours,



Henry Eng, FAICP, Director
Department of Planning and Permitting

HE:ft

doc473876



HENNIGER & HENNIGER INC.

ARCHITECTURE • PLANNING • CONSTRUCTION MANAGEMENT • INTERIOR DESIGN

September 14, 2006

KEA567 LLC
Attn. Mr. Rory D. Otto
99-1405 Koaha Place
Aiea, Hawaii 96701

Re: Condominium Conversion Project
Owners: KEA567 LLC
Address: 45-567, 45-567A, 45-571, 45-571A, 45-575
& 45-575A Keaahala Road
Kaneohe, Hawaii 96744
TMK No.: (1) 4-5-21-008 & 009

Dear Mr. Otto:

Pursuant to your instructions, a visual assessment was made of the single family dwellings located at 45-567, 45-567A, 45-571, 45-571A, 45-575 & 45-575A Keaahala Road, Kaneohe, Hawaii 96744, which structures are designated as Units A, B, C, D, E, and F of the Keaahala condominium project. The purpose of the assessment was to observe and comment on the present condition of the structural components and mechanical and electrical installations of the buildings. Hidden or concealed conditions such as those covered by floor, ceiling, wall panels, coverings or other obstructions were not reviewed during the visit. This assessment did not include physical testing of structural elements, quantitative structural analysis to determine the adequacy of the structural system, or invasive testing of the existing mechanical and electrical systems.

The following describes my assessment of the present condition of such components and installations:

1. Unit A.
 - a. Without invasive examination of covered components:
 - (i) The structural components of the Unit appear to be in poor condition;
 - (ii) The mechanical installations of the Unit appear to be in poor condition; and
 - (iii) The electrical installations of the Unit appear to be in poor condition.
 - b. The expected useful life is estimated to be:
 - (i) Between 0 and 5 years for the structural components;
 - (ii) Between 0 and 5 years for the mechanical installations; and

EXHIBIT "E"

- (iii) Between 0 and 5 years for the electrical installations.

The foregoing is based on the assumption that the components are properly maintained and repaired.

2. Unit B.

- a. Without invasive examination of covered components:

- (i) The structural components of the Unit appear to be in poor condition;
- (ii) The mechanical installations of the Unit appear to be in poor condition; and
- (iii) The electrical installations of the Unit appear to be in poor condition.

- b. The expected useful life is estimated to be:

- (i) Between 5 and 10 years for the structural components;
- (ii) Between 5 and 10 years for the mechanical installations; and
- (iii) Between 5 and 10 years for the electrical installations.

The foregoing is based on the assumption that the components are properly maintained and repaired.

3. Unit C.

- a. Without invasive examination of covered components:

- (i) The structural components of the Unit appear to be in fair condition;
- (ii) The mechanical installations of the Unit appear to be in fair condition; and
- (iii) The electrical installations of the Unit appear to be in fair condition.

- b. The expected useful life is estimated to be:

- (i) Between 10 and 20 years for the structural components;
- (ii) Between 10 and 20 years for the mechanical installations; and
- (iii) Between 10 and 20 years for the electrical installations.

The foregoing is based on the assumption that the components are properly maintained and repaired.

4. Unit D.

- a. Without invasive examination of covered components:
 - (i) The structural components of the Unit appear to be in fair condition;
 - (ii) The mechanical installations of the Unit appear to be in fair condition; and
 - (iii) The electrical installations of the Unit appear to be in fair condition.
- b. The expected useful life is estimated to be:
 - (i) Between 10 and 20 years for the structural components;
 - (ii) Between 10 and 20 years for the mechanical installations; and
 - (iii) Between 10 and 20 years for the electrical installations.

The foregoing is based on the assumption that the components are properly maintained and repaired.

5. Unit E.

- a. Without invasive examination of covered components:
 - (i) The structural components of the Unit appear to be in fair condition;
 - (ii) The mechanical installations of the Unit appear to be in fair condition; and
 - (iii) The electrical installations of the Unit appear to be in fair condition.
- b. The expected useful life is estimated to be:
 - (i) Between 10 and 20 years for the structural components;
 - (ii) Between 10 and 20 years for the mechanical installations; and
 - (iii) Between 10 and 20 years for the electrical installations.

The foregoing is based on the assumption that the components are properly maintained and repaired.

6. Unit F.

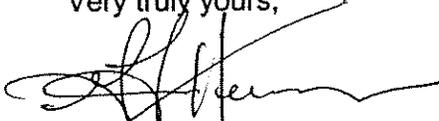
- a. Without invasive examination of covered components:
 - (i) The structural components of the Unit appear to be in fair condition;

- (ii) The mechanical installations of the Unit appear to be in fair condition; and
 - (iii) The electrical installations of the Unit appear to be in fair condition.
- b. The expected useful life is estimated to be:
- (i) Between 10 and 20 years for the structural components;
 - (ii) Between 10 and 20 years for the mechanical installations; and
 - (iii) Between 10 and 20 years for the electrical installations.

The foregoing is based on the assumption that the components are properly maintained and repaired.

This is not a warranty or representation, and no purchaser may rely on the statements contained herein. In addition, compliance with legal or governing code requirements is specifically excluded from this assessment.

Very truly yours,



Gerald L. Henniger,
Licensed Professional Architect
No. AR-11937

EXHIBIT "F"

Description of Common Elements

The common elements include the following located within the Project:

1. The Land in fee simple described in Exhibit "A" attached hereto and made a part hereof;
2. Easement "A" on Lot 99 (as more particularly described in Exhibit "A" attached to the Declaration), being approximately 4,155 square feet, as shown on the Condominium Map;
3. The driveway on Lot 100 (as more particularly described in Exhibit "A" attached to the Declaration), being approximately 1,826 square feet, as shown on the Condominium Map;
4. The garbage can storage area as shown on the Condominium Map;
5. The CRM wall running along the boundary line facing Keaahala Road and along a portion of the boundary line facing Lot 101-A-1; and the CRM wall on Easement "A" running along the boundary line facing neighboring Lot 98-B as shown on the Condominium Map;
6. All pipes, cables, wires, ducts, conduits, electrical equipment, or other utility or service lines, drainage ditches or appurtenant drainage structures and retaining walls (if any), which are located outside the Units and which are utilized for or serve more than one Unit;
7. All pipes, cables, wires, ducts, conduits, electrical equipment, or other utility or service lines running through a Unit which are utilized by or serve more than one Unit;
8. Any and all other apparatus and installations of common use and all other parts of the Project necessary or convenient to its existence, maintenance and safety, or normally in common use.

END OF EXHIBIT "F"

EXHIBIT "G"

Description of Limited Common Elements

The limited common elements include the following located within the Project:

1. The limited common elements so set aside and reserved for the exclusive use of Unit A are as follows:

(a) The site on which Unit A is located, consisting of the land beneath and immediately adjacent to Unit A (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, retaining walls, and fences and/or walls located within said portion of land, excluding, however, those walls designated as common elements), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit A. Said site is referred to in the Declaration as the Dwelling Area, and the Dwelling Area for Unit A contains an area of 5,600 square feet.

2. The limited common elements so set aside and reserved for the exclusive use of Unit B are as follows:

(a) The site on which Unit B is located, consisting of the land beneath and immediately adjacent to Unit B (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, retaining walls, and fences and/or walls located within said portion of land, excluding, however, those walls designated as common elements), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit B. Said site is referred to in the Declaration as the Dwelling Area, and the Dwelling Area for Unit B contains an area of 3,763 square feet.

3. The limited common elements so set aside and reserved for the exclusive use of Unit C are as follows:

(a) The site on which Unit C is located, consisting of the land beneath and immediately adjacent to Unit C (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, retaining walls, and fences and/or walls located within said portion of land, excluding, however, those walls designated as common elements), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit C. Said site is referred to in the Declaration as the Dwelling Area, and the Dwelling Area for Unit C contains an area of 3,912 square feet.

(b) The CMU wall and planter area along the boundary line between the Dwelling Areas for Units C and D are limited common elements appurtenant to Units C and D as shown on the Condominium Map.

4. The limited common elements so set aside and reserved for the exclusive use of Unit D are as follows:

(a) The site on which Unit D is located, consisting of the land beneath and immediately adjacent to Unit D (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, retaining walls, and fences and/or walls located within said portion of land, excluding, however, those walls designated as common elements), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit D. Said site is referred to in the Declaration as the Dwelling Area, and the Dwelling Area for Unit D contains an area of 5,271 square feet.

(b) The CMU wall and planter area along the boundary line between the Dwelling Areas for Units D and C are limited common elements appurtenant to Units D and C as shown on the Condominium Map.

5. The limited common elements so set aside and reserved for the exclusive use of Unit E are as follows:

(a) The site on which Unit E is located, consisting of the land beneath and immediately adjacent to Unit E (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, retaining walls, and fences and/or walls located within said portion of land, excluding, however, those walls designated as common elements), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit E. Said site is referred to in the Declaration as the Dwelling Area, and the Dwelling Area for Unit E contains an area of 5,228 square feet.

6. The limited common elements so set aside and reserved for the exclusive use of Unit F are as follows:

(a) The site on which Unit F is located, consisting of the land beneath and immediately adjacent to Unit F (including any yard areas, landscaping, driveways, parking stalls, walkways, access areas, retaining walls, and fences and/or walls located within said portion of land, excluding, however, those walls designated as common elements), as shown and delineated on the Condominium Map (including the airspace above such site), is for the exclusive benefit of Unit F. Said site is referred to in the Declaration as the Dwelling Area, and the Dwelling Area for Unit F contains an area of 10,245 square feet.

7. Any other common element of the Project which is rationally related to fewer than all the Units shall be deemed a limited common element appurtenant to and for the exclusive use of such Unit to which it is rationally related.

END OF EXHIBIT "G"

EXHIBIT "H"

List of Encumbrances Against Title

Encumbrances against the title as contained in the Commitment for Title Insurance dated September 6, 2006, and issued by Island Title Corporation are as follows:

1. Real property taxes due and payable. For more information contact the City and County of Honolulu, Department of Finance, Real Property Tax Assessment.
2. Title to all minerals and metallic mines reserved to the State of Hawaii.
3. Grant of Easement dated April 14, 1943, recorded in the Bureau of Conveyances of the State of Hawaii in Liber 1755, Page 150, in favor of the City and County of Honolulu, granting an easement for underground water pipeline and incidental purposes.

The foregoing easement being more particularly described as follows:

That certain strip of land situate on the northwest side of Keaahala Road, at Kanohuluiwi, Kaneohe, Koolaupoko, Oahu, State of Hawaii, being a portion of the land deeded to H. H. Parker by the Superintendent of Public Works by instrument dated August 7, 1900, and recorded in said Bureau of Conveyances in Liber 209, Page 400, being also a portion of Lot 99 of Halekauwila Farms, and being more particularly described as follows:

Beginning at a pipe at the south corner of this parcel of land, on the northwest side of Keaahala Road, the coordinates of said point of beginning referred to Government Survey Triangulation Station "HEEIA" being 11,519.80 feet south and 6,220.32 feet east, and running by azimuths measured clockwise from true South:

1.	146°	05'	200.00	feet along Lot 100, Halekauwila Farms;
2.	236°	05'	10.00	feet along Lot 94 Halekauwila Farms;
3.	326°	05'	200.00	feet along remainder of Lot 99, Halekauwila Farms to a pipe;
4.	56°	05'	10.00	feet along the northwest side of Keaahala Road to the point of beginning and containing an area of 2,000 square feet, more or less.

4. Grant of Easement dated August 14, 1972, in favor of Hawaiian Electric Company, Inc., recorded in said Bureau of Conveyances in Liber 8519, Page 307, granting an easement for utility and incidental purposes.

5. Grant of Easement dated July 3, 2006, in favor of Kea567 LLC, recorded in said Bureau of Conveyances as Document No. 2006-125195, granting a non-exclusive easement for access, utility, and fire truck turn around purposes.

6. Affidavit dated October 6, 1993, recorded in said Bureau of Conveyances as Document No. 93-165650, re: building permit.

7. Condominium Map No. 1910, filed in said Bureau of Conveyances.

8. Covenants, conditions, restrictions, reservations, agreements, obligations, easements and other provisions set forth in that certain Keaahala Declaration of Condominium Property Regime dated July 30, 1993, recorded in said Bureau of Conveyances as Document No. 93-133601, to which reference is hereby made, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c) or Section 515-6, HRS, as amended.

Joinder in Declaration and Submission of Property to Condominium Property Regime dated October 18, 1995, recorded in said Bureau of Conveyances as Document No. 95-143914.

9. Terms and provisions contained in the By-Laws of the Keaahala Road Project dated July 30, 1993, recorded in said Bureau of Conveyances as Document No. 93-133602.

10. Perimeter improvement(s) disclosed by the surveyor's map and/or report dated September 21, 2004, prepared by Walter P. Thompson, Licensed Professional Land Surveyor, as follows:

a) A CRM pillar crosses into Keaahala Road for 2 lineal feet at the east corner. The worst condition being 1.08 feet.

b) A CRM pillar crosses onto Keaahala Road for 2 lineal feet. The worst condition being 1.18 feet.

c) A CRM wall crosses onto Keaahala Road for 63 lineal feet. The worst condition being 1.14 feet.

d) Concrete steps cross into Keaahala Road for 3 lineal feet. The worst condition being 2.98 feet.

e) A CRM wall crosses from Lot 100 onto Lot 101-A-2 for 21 lineal feet along the westerly boundary. The worst condition being 1.93 feet.

f) A tile wall crosses from Lot 100 onto Lot 101-A-2 for 27 lineal feet along the westerly boundary. The worst condition being 3.71 feet.

g) Concrete crosses from Lot 100 onto Lot 101-A-2 for 3 lineal feet along the westerly boundary. The worst condition being 3.76 feet.

h) An eaveline crosses from Lot 100 onto Lot 101-A-2 for 8 lineal feet along the westerly boundary. The worst condition being 1.38 feet.

i) A tile wall extends from Lot 100 onto Lot 101-A-2 for 4.01 feet along the westerly boundary.

j) A dog kennel crosses from Lot A onto Lot 100 for 17 lineal feet along the northerly boundary. The worst condition being 4.78 feet.

11. Any and all covenants, conditions, restrictions and easements encumbering the apartment herein mentioned, and/or the common interest appurtenant thereto, as created by or mentioned in said Declaration, and/or as delineated on said Condominium Map.

12. Mortgage dated March 9, 2005, in favor of Meridian Mortgage, Inc., a Hawaii corporation, recorded in said Bureau of Conveyances as Document No. 2005-053009, as the same may have been assigned from time to time (as to Unit A as described in the Declaration).

13. Mortgage dated March 9, 2005, in favor of Meridian Mortgage, Inc., a Hawaii corporation, recorded in said Bureau of Conveyances as Document No. 2005-053011, as the same may have been assigned from time to time (as to Unit B as described in the Declaration).

14. Mortgage dated March 9, 2005, in favor of Meridian Mortgage, Inc., a Hawaii corporation, recorded in said Bureau of Conveyances as Document No. 2005-053013, as the same may have been assigned from time to time (as to Unit C as described in the Declaration).

15. Mortgage dated March 9, 2005, in favor of Meridian Mortgage, Inc., a Hawaii corporation, recorded in said Bureau of Conveyances as Document No. 2005-053015, as the same may have been assigned from time to time (as to Unit D as described in the Declaration).

16. Mortgage dated March 9, 2005, in favor of Meridian Mortgage, Inc., a Hawaii corporation, recorded in said Bureau of Conveyances as Document No. 2005-053017, as the same may have been assigned from time to time (as to Unit E as described in the Declaration).

17. Mortgage dated March 9, 2005, in favor of Meridian Mortgage, Inc., a Hawaii corporation, recorded in said Bureau of Conveyances as Document No. 2005-053019, as the same may have been assigned from time to time (as to Unit F as described in the Declaration).

END OF EXHIBIT "H"

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 7TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 523-4432 • FAX: (808) 527-6743
DEPT. INTERNET: www.honoluluapp.org • INTERNET: www.honolulu.gov

MUFI HANNEMANN
MAYOR



HENRY ENG, FAICP
DIRECTOR

DAVID K. TANQUE
DEPUTY DIRECTOR

2006/EU-1(as)

PERMIT	EXISTING USE
File Number	: 2006/EU-1
Applicant/Landowner	: Rory D. Otto
Location	: 45-571 Keaahala Road - Kaneohe
Tax Map Key	: 4-5-21: 9
Zoning	: R-5 Residential District
Date Received	: January 9, 2006
Date Accepted	: January 23, 2006

APPROVAL is granted to the existing use, four (4) existing single-family dwellings, in accordance with the application documents (plans date-stamped January 9, 2006), subject to the following conditions:

1. All work shall be in accordance with approved application documents, the conditions enumerated below and the Land Use Ordinance (LUO) unless otherwise stated by this permit.
2. The EU permit is only for the continued use, repair, alteration, expansion, relocation, or reconstruction of the existing dwellings. This Existing Use approval does not certify that the existing structures and improvements comply with the current zoning code or other regulations.
3. In accordance with Section 2.100(a) of the LUO, in the event of destruction, uses may be continued and structures may be rebuilt under the approved existing use plan, provided that such restoration is permitted by the Building Code and Flood Hazard Regulations and is started within two years.
4. Only **minor modifications** to the EU plans shall be allowed. Any major modification which may have an adverse impact on surrounding land uses, increases the number of dwelling units, and/or involves the reconstruction and/or expansion of a dwelling(s) which is part of a larger development, shall require the processing of a Cluster Housing Permit.

EXHIBIT " I "

5. The applicant or owner(s) shall incorporate this Existing Use Permit into the restrictive covenants which run with the land, to serve as notice to all owners and tenants. The draft covenant shall be submitted for review and approval by the DPP. Upon approval of the covenant, a certified recorded copy shall be filed with the DPP, prior to the change in any ownership or the issuance of any permits.
6. If the project will be condominiumized, the applicant or owner(s) shall submit a draft copy of the Condominium Property Regime (CPR) map and documents to the DPP for our review. Future work subsequent to the creation of a CPR may require approval from the homeowners association prior to the start of work. If the EU Permit is incorporated into the CPR documents, a separate declaration of restrictive covenants is not required.
7. All work shall comply with the applicable LUO standard for the underlying zoning district, unless otherwise stated herein:
 - (a) A minimum 10-foot setback for structures (except for carports or garages) shall be required from the common access driveway. In no case shall the portion of any dwelling or carport (i.e. roof overhang or downspout) extend into a common element.
 - (b) Within the project, the minimum distances between buildings shall be as follows:
 - (i) 10 feet between two one-story dwellings;
 - (ii) 15 feet between a one-story and a two-story dwelling or portion thereof; and
 - (iii) 20 feet between two-story dwellings.

If the property is condominiumized, then, no portion of a building shall cross a CPR line. Reconstructed buildings shall comply with the required yards and height setbacks of the underlying zoning district as measured from limited common element lines.
 - (c) Maximum building area shall not exceed 50 percent of the original lot area of 20,000 square feet. If the property is condominiumized, then, within each limited common element, the maximum building area shall not exceed 50 percent of the area for each limited common element.
8. All new work shall be compatible in design with the existing and surrounding structures. The Director may require the redesign of exterior entrances, stairways, bar areas, including plumbing and electrical systems, to ensure that the number of dwellings is not increased.

9. A minimum of two (2) parking spaces shall be provided for Units C and D. The existing nonconforming parking spaces of Units B and E may be retained. However, should either Units B and E be altered, expanded or rebuilt, the minimum off-street parking requirements of two spaces shall be met. Existing parking spaces within carports or garages shall not be converted into usable floor area (including garage or carport storage areas).
10. An all weather surface shall be provided at all driveways, including access easements on Parcel 8, and required parking areas prior to the issuance of building permit or any change of ownership, whichever comes first, subsequent to this approval.
11. New or reconstructed fences constructed above retaining walls shall be of an open material such as chain link or wrought iron, and be limited to 42 inches in height.
12. All existing trees six (6) inches or greater in diameter shall be retained on-site, or replacement landscaping shall be required. All landscaping shall be maintained in a healthy visual condition at all times.
13. Common access roadway shall include a minimum of 15 feet width. In addition, this common area shall be expanded to accommodate the maneuvering required for all parking spaces, and shall be shown as a common element.
14. Within one (1) year, the applicant must comply with the provision for fire protection, including the installation of a new fire hydrant and turnaround area, or alternative system as approved by the Honolulu Fire Department (HFD). If alternate system such as automatic fire sprinkler system is installed in lieu of fire hydrant, the applicant shall provide: (a) written confirmation of the HFD's review and approval of the alternate system prior to or at the time of application for building permits to install the system; and (b) photographic documentation that the sprinklers have been installed.
15. A subdivision for the creation of an easement over the adjoining Parcel 8 must be approved prior to change in any ownership or the issuance of any permits, whichever comes first.
16. Approval of this permit does not constitute compliance with other governmental agencies' requirements. They are subject to separate review and approval. The applicant will be responsible for insuring that the final plans for the project approved under this permit comply with all applicable governmental agencies' provisions and requirements.
17. The Director of Planning and Permitting may modify the conditions of this permit by imposing additional conditions, modifying existing conditions, or deleting conditions

deemed satisfied upon a finding that circumstances related to the approved project have significantly changed so as to warrant a modification to the conditions of approval.

- 18. The applicant and/or landowner shall notify the Director of Planning and Permitting of the transfer in ownership of the property. In the event of a change of ownership, the Director shall notify the new owner (by copy of this permit report) that the site and/or facility is permitted and/or governed by this permit, and that compliance with all the conditions of approval is required.
- 19. In the event of the noncompliance with any of the conditions set forth herein, the Director of Planning and Permitting may terminate all uses approved under this permit or halt their operation until all conditions are met or may declare this permit null and void or seek civil enforcement.

Any party wishing to appeal the Director's action must submit a written petition to the Zoning Board of Appeals (ZBA) within 30 calendar days from the date of mailing or personal service of the Director's written decision. (Zoning Board of Appeals Rules Relating to Procedure for Appeals, Rule 22-2, Mandatory Appeal Filing Deadline). Essentially, the Zoning Board of Appeals rules require that a petitioner show that the Director based his action on an erroneous finding of a material fact, and/or that the Director acted in an arbitrary or capricious manner, or manifestly abused his discretion. Generally, the ZBA can only consider the evidence previously presented to the Director of Planning and Permitting. The filing fee for appeals to the ZBA is \$200 (payable to the City and County of Honolulu).

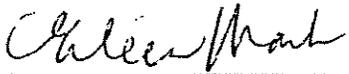
Failure to comply with ZBA Rules Chapter 22, Procedure for Appeals, may result in the dismissal of the appeal. Copies of the ZBA rules are available at the Department of Planning and Permitting. Appeals should be addressed to:

Zoning Board of Appeals
c/o Department of Planning and Permitting
650 South King Street
Honolulu, Hawaii 96813

If you have any questions or need additional information concerning this Existing Use Permit, please contact Adrian Siu-Li of our staff at 527-5072.

Doc 425406

THIS COPY, WHEN SIGNED BELOW, IS NOTIFICATION OF THE ACTION TAKEN.

		March 15, 2006
SIGNATURE	DIRECTOR TITLE	DATE

This approval does not constitute approval of any other required permits, such as building or sign permits.

EXHIBIT "J"
ESTIMATE OF INITIAL MAINTENANCE FEES
AND
ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee</u> x 12 months = <u>Yearly Total</u>
Unit A	\$30.00 \$360.00
Unit B	\$30.00 \$360.00
Unit C	\$30.00 \$360.00
Unit D	\$30.00 \$360.00
Unit E	\$30.00 \$360.00
Unit F	\$30.00 \$360.00

Reserve Study: No reserve study done in accordance with Section 514A-83.6, Hawaii Revised Statutes.

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services		
Air Conditioning		
Electricity		
[] common elements only		
[] common elements and apartments		
Elevator		
Gas		
[] common elements only		
[] common elements and apartments		
Refuse Collection		
Telephone		
Water and Sewer – Water for fire sprinkler system	\$5.84	\$70.00
Maintenance, Repairs and Supplies		
Building		
Grounds (Driveway and utility lines)	\$83.33	\$1,000.00
Management		
Management Fee		
Payroll and Payroll Taxes		
Office Expenses		
Insurance		
Units: Each unit owner will purchase his own insurance and name the Association as an additional insured		
Common Elements:	\$83.33	\$1,000.00
Reserves(*)	\$187.50	\$2,250.00
Taxes and Government Assessments		
Audit Fees		
Other		
 TOTAL	 \$360.00	 \$4,320.00

KEA567 LLC _____, the developer for the KEAAHALA condominium project, hereby certifies that the above estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance with generally accepted accounting principles.

KEA567 LLC

By: 
Rory D. Otto, its Manager

October 19, 2006
Date

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

EXHIBIT "K"

Summary of Pertinent Provisions of Sales Contract

The sales contract contains the price, description and location of the apartment and other terms and conditions under which a buyer will agree to buy an apartment in the Project. Among other things, the sales contract provides:

1. A section for financing to be filled in and agreed to by the parties which will set forth how the buyer will pay the purchase price.
2. That a buyer's deposits will be held in escrow until the sales contract is closed or cancelled.
3. That the buyer must close the purchase at a certain date and pay closing costs, in addition to the purchase price.
4. That in the event of default:
 - If buyer defaults:
 - (1) Seller may bring an action for breach of contract;
 - (2) Seller may retain the deposits as liquidated damages;
 - (3) Buyer is responsible for any costs incurred under the sales contract.
 - If seller defaults:
 - (1) Buyer may bring an action for breach of contract;
 - (2) Buyer may bring an action for specific performance;
 - (3) Seller is responsible for any costs incurred under the sales contract.

The prevailing party is entitled to recover all costs incurred including reasonable attorney's fees. Escrow fees incurred shall be deducted before disbursement to the prevailing party.

THE SALES CONTRACT CONTAINS VARIOUS OTHER PROVISIONS WHICH THE BUYER SHOULD BECOME ACQUAINTED WITH. THE INFORMATION CONTAINED HEREIN IS ONLY A SUMMARY OF THE TERMS OF THE SALES CONTRACT. FOR MORE DETAILED INFORMATION, YOU MUST SECURE A COPY OF THE SALES CONTRACT AND READ IT THOROUGHLY.

END OF EXHIBIT "K"

EXHIBIT "L"

Summary of Pertinent Provisions of Escrow Agreement

The following is a summary of the Escrow Agreement dated September 26, 2006, entered into by and between KEA567 LLC, a Hawaii limited liability company ("Seller"), and ISLAND TITLE CORPORATION, a Hawaii corporation ("Escrow").

The escrow agreement establishes an arrangement under which the deposits a buyer makes under a Deposit, Receipt, Offer and Acceptance ("sales contract") will be held by a neutral party (i.e., Escrow). Under the escrow agreement these things will or may happen:

- (a) Signed copies of the sales contract will be provided to Escrow.
- (b) Escrow will collect payments due pursuant to the sales contract.
- (c) Seller will notify Escrow who in turn will notify buyer when payments are due.
- (d) Escrow will accept buyer's payments pursuant to the sales contract and will hold the funds or make payments according to the escrow agreement.
- (e) The escrow agreement states under what conditions escrow will disburse buyer's funds. Escrow will disburse upon receipt of the following:
 - 1. the conveyance document;
 - 2. all necessary releases of encumbrances;
 - 3. the full amount of the purchase price;
 - 4. any mortgage or other instrument securing payment; and
 - 5. purchaser's share of the closing costs.
- (f) Under the escrow agreement buyer shall be entitled to a refund, if buyer makes a written request for a refund and Escrow has received a written request from Seller to return buyer's funds. In addition, by law, (under Sections 514A-62 and 63, Hawaii Revised Statutes) buyer has a right to rescind a sales contract.
- (g) The escrow agreement states what will happen to a buyer's funds upon default under the sales contract. Seller is required to certify to Escrow in writing that buyer defaults and that Seller is terminating the contract. Escrow will notify buyer by certified mail that Seller has cancelled contract. Escrow will treat the buyer's funds as belonging to the Seller subject to the provisions relating to dispute and conflicting demands.
- (h) Escrow will coordinate and supervise the signing of all necessary documents.
- (i) The escrow agreement sets forth Escrow's responsibilities in the event of any disputes.

THE ESCROW AGREEMENT CONTAINS VARIOUS OTHER PROVISIONS AND ESTABLISHES CERTAIN CHARGES WITH WHICH THE PURCHASER SHOULD BECOME ACQUAINTED. THE INFORMATION CONTAINED HEREIN IS ONLY A SUMMARY OF THE TERMS OF THE AGREEMENT. FOR MORE DETAILED INFORMATION, YOU MUST SECURE A COPY OF THE AGREEMENT AND READ IT THOROUGHLY.

END OF EXHIBIT "L"